

Message Text

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PAGE 01 GENEVA 01689 01 OF 02 121317 Z

44

ACTION EB-11

INFO OCT-01 EUR-25 IO-12 ADP-00 AF-10 ARA-11 EA-11 NEA-10

RSC-01 AGR-20 CEA-02 CIAE-00 COME-00 DODE-00 FRB-02

H-02 INR-10 INT-08 L-03 LAB-06 NSAE-00 NSC-10 PA-03

AID-20 CIEP-02 SS-15 STR-08 TAR-02 TRSE-00 USIA-12

PRS-01 OMB-01 RSR-01 /220 W
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R 121150 Z APR 73

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LIMITED OFFICIAL USE SECTION 1 OF 2 GENEVA 1689

E. O. 11652: N/A

TAGS: ETRD, UNCTAD

SUBJECT: UNCTAD PREFERENCES COMMITTEE: US PREFERENCE PROPOSAL

REF: GENEVA 1614, 1652

BEGIN SUMMARY: AMBASSADOR MALMGREN MADE PRESENTATION OF PROPOSED US SYSTEM OF GENERALIZED PREFERENCES FOR DEVELOPING COUNTRIES TO UNCTAD SPECIAL COMMITTEE ON PREFERENCES. PRESENTATION WELL RECEIVED. NUMBER OF DEVELOPING COUNTRIES AND COORDINATOR FOR GROUP B (DEVELOPED) COUNTRIES WELCOMED US PROPOSAL. SEVERAL LDCS ASKED PENETRATING QUESTIONS ON OPERATION OF PROPOSED SYSTEM. IVORY COAST AND CHILE MADE NEGATIVE COMMENTS. BENEFICIARY COUNTRIES, COMPETITIVE NEED FORMULA AND PRODUCT COVERAGE RECEIVED GREATEST ATTENTION. CONTACT GROUP IS CONTINUING TO DISCUSS DRAFT RESOLUTION TABLED EARLIER BY DEVELOPING COUNTRIES. END SUMMARY

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PAGE 02 GENEVA 01689 01 OF 02 121317 Z

1. AMBASSADOR MALMGREN EXPLAINED US SYSTEM OF GENERALIZED PREFERENCES TO UNCTAD SPECIAL COMMITTEE ON PREFERENCES APRIL 11, DRAWING ON PRESIDENT'S MESSAGE AND DRAFT BILL. SECTION BY SECTION ANALYSIS OF GSP DISTRIBUTED. SERIES OF QUESTIONS AND ANSWERS ON US SYSTEM FOLLOWED, HANDLED BY MALMGREN, ASSISTED BY WORTHINGTON AND JACKSON. SEVERAL POTENTIAL BENEFICIARIES MADE VERY POSITIVE STATEMENTS, NOTABLY NIGERIA AND SRI LANKA, AND GROUP B COORDINATOR WELCOMED US PROPOSAL ON BEHALF OF OTHER DONOR COUNTRIES. NUMBER OF DELS ASKED PENETRATING QUESTIONS ON OPERATION OF SCHEME. REACTIONS ALSO INCLUDED THOSE OF VOCAL DEVELOPING COUNTRIES SUCH AS CHILE AND THOSE WHO CONCLUDED THEY WOULD BENEFIT FROM SYSTEM LESS THAN ANTICIPATED (MEXICO, INDIA) OR NOT AT ALL (FRENCH AFRICANS).

2. MALMGREN STATEMENT VERY WELL RECEIVED, AND EFFECTIVE FIELDING OF SEVERAL MALICIOUS QUESTIONS BY CHILE VITIATED ATTEMPTS TO DISCREDIT US PROPOSAL. MALMGREN SAID US SYSTEM NOT BASED ON LEASE COMMON DENOMINATOR BUT FLEXIBLE PROPOSAL WHICH TAKES ACCOUNT OF NEEDS OF LESS COMPETITIVE LDCS AND LIKELY PRODUCE POSITIVE BENEFITS. MALMGREN MEETING INFORMALLY WITH UNCTAD DELEGATIONS APRIL 12 TO DISCUSS TRADE BILL IN GENERAL.

3. IN DISCUSSION, WHICH CARRIED ON INTO AFTERNOON COMMITTEE MEETING, NIGERIA SAID US HAD CARRIED OUT PROMISE IN RES 77(III) AND THIS HAPPY MOMENT. SAID REVERSE PREFERENCES NOT IN INTEREST OF DEVELOPING COUNTRIES AND US PROPOSAL GAVE PLENTY OF TIME FOR COUNTRIES TO REFLECT ON PHASING OUT SUCH PREFERENCES. SRI LANKA SAID US PROPOSAL WILL MAKE POSSIBLE PARTICIPATION OF ALL THOSE UNTOUCHABLES WHICH ARE NOT NOW COMPETITIVE AND ARE UNABLE AT PRESENT TO BENEFIT FROM EXISTING GSP SYSTEMS. PHILIPPINES SAID THIS INITIAL STEP IN KEEPING WITH NOBLE TRADITIONS OF AMERICAN GOVERNMENT AND PEOPLE AND EXPRESSED HOPE CONGRESS WILL ENACT PROPOSAL SPEEDILY. PAKISTAN PRAISED US FOR GOING FORWARD WITH GSP DESPITE ITS RECENT TRADE AND BALANCE OF PAYMENTS PROBLEMS AND EMPHASIZED POSITIVE ASPECTS OF ZERO DUTY ELEMENT OF SYSTEM.

4. QUESTIONS BY DEVELOPING COUNTRIES TENDED CONCENTRATE LIMITED OFFICIAL USE

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PAGE 03 GENEVA 01689 01 OF 02 121317 Z

ON FOLLOWING MAJOR ASPECTS OF SYSTEM:

(A) CRITERIA FOR DESIGNATION OF BENEFICIARIES:
VARIOUS COUNTRIES, NOTABLY IVORY COAST AND CHILE, COM-
PLAINED US CRITERIA VIOLATE IN RES 21(II) AND AGREED
CONCLUSIONS 75(S- QV) THAT GSP SYSTEMS WOULD BE GENERAL AND
NON- DISCRIMINATORY. SOME YAOUNDE COUNTRIES CITED MANDA-
TORY EXCLUSION OF COUNTRIES GRANTING REVERSE
PREFERENCES AS DISCRIMINATORY, SAYING THEIR AGREEMENT
ANTEDATES GSP. MALMGREN NOTED US RESERVATIONS ON REVERSE
PREFERENCES ARE LONG STANDING AND QUOTED US STATEMENT FROM
RECORD
OF LAST COMMITTEE MEETING. CUBA, IN VITUPERATIVE INTER-
VENTION, CALLED ATTENTION TO MFN REQUIREMENT AND OTHER
CRITERIA AS DESIGNATED TO ELIMINATE POTENTIAL BENEFICIARIES.
CHILE (SANTA CRUZ) MADE MOST COMPREHENSIVE ATTACK,
STRONGLY SUPPORTED BY MEXICO. SANTA CRUZ INTERPRETED
SUB- SECTION 604 (A) (3) OF TRADE BILL AS MEANS OF EXCLUDING
MORE ADVANCED LDCS AND 604 (A) (5) AS IMPOSING US " IMP
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PAGE 01 GENEVA 01689 02 OF 02 121321 Z

53
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(C) PRODUCT COVERAGE - US REPS WERE PRESSED HARD ON
PRODUCT COVERAGE, ESPECIALLY FOR INCLUSION
BTN 1-24 ITEMS AND FOR COMPARISON WITH PROPOSAL
PRESENTED TO COMMITTEE IN 1970 MALMGREN QUOTED FROM
PRESIDENT' S MESSAGE ON EXCEPTIONS AND INDICATED THAT,
SUBJECT TO ACTION BY TARIFF COMMISSION, OLD LIST WAS

INDICATIVE OF KIND OF PRODUCTS WE HOPED SEE INCLUDED IN SYSTEM. COMPARISONS, HOWEVER, DIFFICULT UNTIL PROCEDURES REQUIRED BY LEGISLATION COMPLETED. NUMBER OF DELS (NIGERIA, PHILIPPINES, ETHIOPIA, SRI LANKA, MEXICO AND EGYPT) URGED US INCLUDE IN SYSTEM AS MANY ITEMS AS POSSIBLE FROM BTN CHAPTERS 1-24. POINT MADE SEVERAL TIMES THAT LESS ADVANCED COUNTRIES HAVE NOT BENEFITED FROM EXISTING GSP SCHEMES BECAUSE THEY MANUFACTURE FEW PRODUCTS IN BTN 25-99. SAME COUNTRIES URGED US CONSIDER TAILORING SYSTEM TO ACCOMMODATING THEIR NEEDS. MANY DELS INTERESTED IN HAVING TEXTILES INCLUDED. INDIA SAID DID NOT UNDERSTAND WHY TEXTILES COULD NOT BE ACCORDED DUTY- FREE TREATMENT UNDER GSP SINCE IMPORTS LIKELY BE CONTROLLED BY QUOTAS.

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PAGE 02 GENEVA 01689 02 OF 02 121321 Z

(D) RULES OF ORIGIN: SEVERAL DELS ASKED WHY CUMULATIVE VALUE ADDED AMONG ANUMBER OF DEVELOPING COULD NOT QUALIFY THE FINAL EXPORTER TO THE U. S. SINGAPORE AND MALAYSIA WERE ESPECIALLY CONCERNED ABOUT RULES OF ORIGIN, GIVEN HIGH IMPORT CONTENT OF THEIR EXPORTS. THEY ESPECIALLY ASKED IF RAW MATERIALS OBTAINED FROM U. S. COULD NOT BE LEFT OUT OF CALCULATION, SINCE THIS OF BENEFIT TO THE U. S.

5. CHILE TRIED TURN MEETING INTO CONFRONTATION AND JUSTIFICATION EXERCISE SIMILAR TO REVIEW OF SYSTEMS IN 1970 BUT WITHDREW PROPOSAL WHEN SUPPORT LACKING AND IT HAD BECOME CLEAR LACK OF SPECIFIC DETAILS MADE SUCH PROCEDURE ILLOGICAL. SANTA CRUZ THEN PROPOSED COMMITTEE FORMALLY PRONOUNCE ON COMPATIBILITY OF US PROPOSAL WITH RES 21 (III). PROPOSAL NOT ACTED UPON AND CHAIRMAN AND FRIENDLY LDC DELS ASSURE US THEY WILL RESIST CHILEAN DEMANDS. DESPITE PREVIOUS US STATEMENT THAT ANALYSIS OF US PROPOSAL NOT HELPFUL IN ABSENCE OF DETAILS OF PRODUCT COVERAGE, PHILIPPINES REQUESTED SECRETARIAT PROVIDE COMMITTEE COMPARISON OF PRESENT US PROPOSAL WITH THAT MADE IN 1970. REQUEST SUPPORTED BY OTHER DELEGATIONS (CHILE, MEXICO, ETHIOPIA, AND INDIA). US REITERATED DIFFICULTIES BUT DID NOT OPPOSE REQUEST.

6. IN CONTACT GROUP COORDINATOR OF GROUP OF 77 SUGGESTED WORK ON DRAFT RESOLUTION CONTINUE AS IF NOTHING HAD HAPPENED. GROUP B EXPLAINED IN DETAIL ITS OBJECTIONS TO DRAFT RESOLUTION AND WAS ASKED BY GROUP OF 77 TO PUT COMMENTS FORWARD IN FORM OF AMENDMENTS TO DRAFT RESOLUTION. DISCUSSION CONTINUES. RIMESTAD

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